

KENTUCKY HEALTH BENEFIT EXCHANGE ADVISORY BOARD

Small Employer Health Options Program (SHOP) Subcommittee

Meeting Minutes

January 17, 2013

Call to Order and Roll Call

The fifth meeting of the SHOP Subcommittee was held on Thursday, January 17, 2013, at 1:30 p.m. in the Small Conference Room at the Office of the Kentucky Health Benefit Exchange. Carrie Banahan, Executive Director, Office of the Kentucky Health Benefit Exchange, acting on behalf of Jeffrey Bringardner, Chair, called the meeting to order at 1:30 p.m., and the Secretary called the roll.

Subcommittee Members Present: Jeffrey Bringardner (by phone), Paul Brophy (by phone), Edward Erway, Carl Felix, Harry Hayes, Brian Sunderland, and Dr. Larry Tinius (by phone).

Staff Present: Carrie Banahan, Lee Barnard, Tammy Bullock, Miriam Fordham, Wanda Fowler, Gary Smith, Brian Staples (DOI) and D.J. Wasson (DOI).

Approval of Minutes

A motion was made to accept the minutes of the December 6, 2012, meeting as submitted, seconded, and approved by voice vote.

Employer Minimum Contribution and Selection of Reference Plan

Wanda Fowler, Office of the Kentucky Health Benefit Exchange, briefed the subcommittee on federal guidance from the Department for Health and Human Services and the Internal Revenue Service regarding the employer selection of a reference plan. Because employees in the SHOP will be choosing their own coverage and need to know the cost of that plan after the employer's contribution, the employer will need to choose a contribution method before employees select their plan. An employer can choose to pay a uniform percentage regardless of the plan chosen by an employee, or make a uniform contribution based on a reference plan. Members discussed various approaches to selection of a reference plan and their effect on anti-selection and employer cost.

A recommendation was made by the members to allow employers to select a reference plan for each metal level of coverage offered to their employees. The minimum employer contribution would be fifty (50) percent of a single-only policy for each metal level offered by the employer, with flexibility for other contribution amounts for family/dependent coverage. This approach would help the employer estimate his or her maximum exposure and reduce enrollee anti-selection.

Uniform Waiting Periods for Employee Insurance Coverage

Carrie Banahan, Executive Director, Office of the Kentucky Health Benefit Exchange, informed the subcommittee of the most recent federal Department of Labor (DOL) guidance on 90-day

waiting period limitation for group health insurance coverage. DOL Technical Release 2012-02, dated August 31, 2012 clarifies this requirement. Employers will determine waiting period within this guideline.

Local Government Premium Taxes

D.J. Wasson, Department of Insurance, briefed the subcommittee on recent developments regarding the local government premium tax. The tax is imposed by local governments on insurance companies that write group policies. Licensed health maintenance organizations (HMOs) are not subject to these taxes. This tax can be passed on to policy holders and is calculated on where the risk is located, i.e., where the employee resides. The SHOP Exchange may need to disclose the amount of the tax on the invoices it sends to employers since employee home addresses are being gathered by the SHOP Exchange. Conversations conducted by the Department of Insurance with two potential issuers have been positive and encouraging. One of the issuers does not pass the tax on to policy holder and the other does not write health benefit plans through their insurance company. Instead, their group policies are written through their HMO license. Staff with the Department of Insurance will update the Subcommittee on any further developments on this issue at the next meeting.

Premium Payment Tolerance and Notice of Late Payment

Current practice among insurers is to notify an employer of the premium due and include a statement regarding the grace period. If the premium is unpaid, a second notice is sent advising of the past due amount. This process will be adopted by the SHOP Exchange for billing and collection from employers. The Department of Insurance rules regarding grace periods and notice of cancellation will be followed by the SHOP Exchange.

Other Business

Ms. Banahan announced that Kentucky has been awarded a Level II Establishment grant of \$182 million which will be used for the remaining IT system build and to fund the operation of the Exchange through 2014. Ms. Banahan also announced that Kentucky, along with 18 other states and Washington DC, has been conditionally approved by the federal Center for Consumer Information and Insurance Oversight to operate a state-based health benefit exchange for individuals and small businesses in 2014. The Exchange is working closely with its contractor, Deloitte, LLC, in the design of the system and is on target to be operational by open enrollment in October, 2013.

Members requested a joint meeting with the Navigator/Agent Subcommittee to address overlapping issues and concerns.

The next meeting of the subcommittee is scheduled for Thursday, February 14, 2013, at 1:30 p.m. in the Small Conference Room at the Office of the Kentucky Health Benefit Exchange. This will be a joint meeting with the Navigator/Agent Subcommittee.

Adjournment

The meeting was adjourned at 2:35 p.m.